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## FOREWORD

Among the most important of the consequences of the European War has been its effect upon the world's investment markets. An organization that existed for many years has been violently disrupted. Changes have occurred that under other circumstances would have been delayed for many years or perhaps never have occurred at all. Whether the results are permanent or only temporary may be a matter for dispute but they have brought numerous problems that are important and serious.

A picture of these changes and the results in their main outlines is the purpose of this volume. As a preliminary to an analysis of the subject it is important to understand certain matters that are treated in the introduction. Among them is the real nature of foreign investments which are but superficially understood by most of us (see Kemmerer, page 1). Moreover, this world catastrophe may usher in a new economic internationalism that will perforce modify all our public policies, national and international (see Walling, page 10).

An analysis of what has occurred may be conveniently divided into four parts. Prior to the war investments were made along well-defined lines. Certain creditor countries such as England (see Hobson, page 23) and France (see Guyot, page 36) furnished enormous amounts of capital to the different parts of the world. On the other hand the debtor countries such as China (see Denby, page 55) borrowed this money under specified terms and conditions.

When the war broke out a number of disturbing influences were injected into this established system. The London Stock Exchange (see Lawson, page 71) experienced conditions entirely new while the American security markets (see Huebner, page 93) were in a similar manner upset, later recovering their former activity and even entering upon several periods of wild speculation. In addition to the long-term bonds and the stocks whose markets were thus disturbed, short-time investments were important (see Youngman, page 108). Through their assistance many problems were raised and many others were solved. Another significant effect of the war was the violent upsetting of the foreign exchanges. The efforts made by European countries to stabilize the exchanges and thus to secure more effectively the commodities needed for the prosecution

of the war are extremely interesting and instructive (see Zimmer, page 151). The stupendous task of financing war orders (see Conway, page 131) with the consequent effect upon business in the United States and the tremendous volume of new security issues (see Anderson, page 118) would be unbelievable to us if we had not so recently gone through the experience.

In the near future there will be important demands for capital from many parts of the world. An accurate forecast of their amount and the sources from which the capital will be drawn is of course not practicable but much that is of value is to be found in a summary of the possibilities. Among the most important demands will be those from the Latin American countries (see Symposium, page 161). Special emphasis should be given to Mexico (see Shirley, page 196). Aside from these Latin American countries there will be demands from our neighbor on the north, Canada (see Skelton, page 216), from Russia (see McRoberts, page 207) and from China (see Denby, page 69). Demands will come not merely from other countries but in an increasing volume from our own. Our public utilities are one of the best illustrations of this and their demands under the new standards that we are requiring of their management are among the most prominent (see Wilcox, page 226). Calls for capital are also coming from new sources as time passes and one of the most interesting recent illustrations of this is the probable effect of the rural credits act (see Babson, page 235).

Many are optimistic enough to believe that the United States will be the leader in world financing. Just what part the United States will play in the investment market is considered in the last section of this volume. The relative position of London and New York as financial centers is a matter on which there may be some differences of opinion although probably the best informed students of finance agree that London's supremacy has not been entirely taken away (see Patterson, page 264). The ability of New York City and of the United States, however, to maintain what they have gained during the war will be determined in the immediate future by our control of our gold reserves (see Vanderlip, page 278) and in the long run by our ability to purchase foreign securities (see Roberts, page 287). Another factor will be the level of the rate of interest which has so much to do with the movements of capital (see Fisher, page 244), and whether or not we shall have more international credit

or, as Dr. Bonn suggests, enter upon a period of nationalization of capital (page 252).

But the problem is not merely one of having capital and of sending it where interest rates are highest. The attitude of our government and the whole question of "dollar diplomacy" is involved. That the United States government should give assurances of protection to American investors in foreign countries is the view of some (see Wilson, page 298). To others, however, such a policy seems full of danger. Many feel that to give such governmental aid is an abandonment of all of the democratic principles for which our country has announced that it stands, that it is a menace to small weak countries and a means by which we may become involved in war (see Howe, page 312).

There are thus a number of aspects to the discussion. Capital movements are followed by movements of goods. This trade movement which went in certain channels prior to the war has been upset and though many may exaggerate the extent of the changes they will nevertheless be of significance. The effects of the war will be permanent. A routine formerly taken for granted has been broken up. Few venture to speak with confidence of the details of the future but already a few of its main features are beginning to appear.

Confused views are being clarified and new policies are being formed. Economic theories that we thought were obsolete are being eagerly seized upon, although many of them are crude expressions of half-truths while others are entirely fallacious. The war has disorganized not only our material relations with other countries but our channels of thought. In the midst of this confusion, the difficulties of clear thinking are most apparent to those whose vision is broad rather than narrow, whose outlook is international rather than provincial. Our leaders in politics, commerce and finance today find it difficult to analyze accurately the thoughts and wishes of the American people, and the industrial needs and conditions of the future.

There is no thought that the articles in this volume offer final solutions for all of our problems. The variety of opinions expressed is in itself evidence that this could not now be accomplished. The editors believe, however, that the articles will be of assistance not only to those seeking information but also to those who are trying to think clearly and to interpret accurately.

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